

TOP SECRET

13 August 1958

Copy No. C- 57

CENTRAL INTELLIGENCE BULLETIN



DOCUMENT NO. 9
NO CHANGE IN CLASS. X
DECLASSIFIED
CLASS. CHANGED TO: TS, S, C
NEXT REVIEW DATE: 2010
AUTH: HR 70-2
DATE 3/27/80 REVIEWER:

State Dept. review completed

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Approved For Release 2002/08/20 : CIA-RDP79T00975A003900090001-9

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DAILY BRIEF

I. THE COMMUNIST BLOC

*Soviet UN resolution: Gromyko's resolution which calls on the UN General Assembly to strengthen UN observer capabilities in Lebanon and Jordan in conjunction with the withdrawal of US and British troops marks the beginning of Soviet maneuvers to counter anticipated Western positions in the forthcoming debate. The resolution, while phrased to imply condemnation of "Western military intervention," is nonetheless calculated to attract maximum support from UN members and to lay the basis for future Soviet claims of having forced the withdrawal of Western forces.

OK
Berlin: The Communists are bringing new pressure against East Germans who work in the Western sectors of Berlin to give up their jobs. The East German regime has almost completed construction of the physical facilities necessary to control the passenger traffic on the elevated trains which pass through West Berlin.

II. ASIA-AFRICA

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Syria: A record Syrian budget totaling almost \$130,000,000, approved by UAR President Nasir after considerable high-level wrangling, may lead to further friction between the UAR and Western interests. Since planned expenditures are far in excess of normal revenues, the UAR may seek a sharp increase in payments for use of the pipelines passing through Syria.

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Cyprus: Recent discussions in Athens and Ankara with British Prime Minister Macmillan produced nothing new on the Cyprus issue. Continued failure to make progress toward a political solution may lead to an early termination of the "truce" on the island. However, EOKA may be restrained by the apparent success of the recent British security drive and by the knowledge that a period of peace is needed to assure an early return of Makarios to the island.

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III. THE WEST

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Britain - Middle East: Top British officials tend to believe that some form of guaranteed neutrality may be the best that can be obtained for Jordan, Lebanon, and in the long run, for the Persian Gulf sheikdoms. Foreign Secretary Lloyd told

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DAILY BRIEF

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Deputy Under Secretary Murphy this might be achieved by conveying to Nasir the impression that American and British troops might otherwise remain in the Middle East for many years. A general British desire to establish a working ar-rangements with Arab nationalism is evident.

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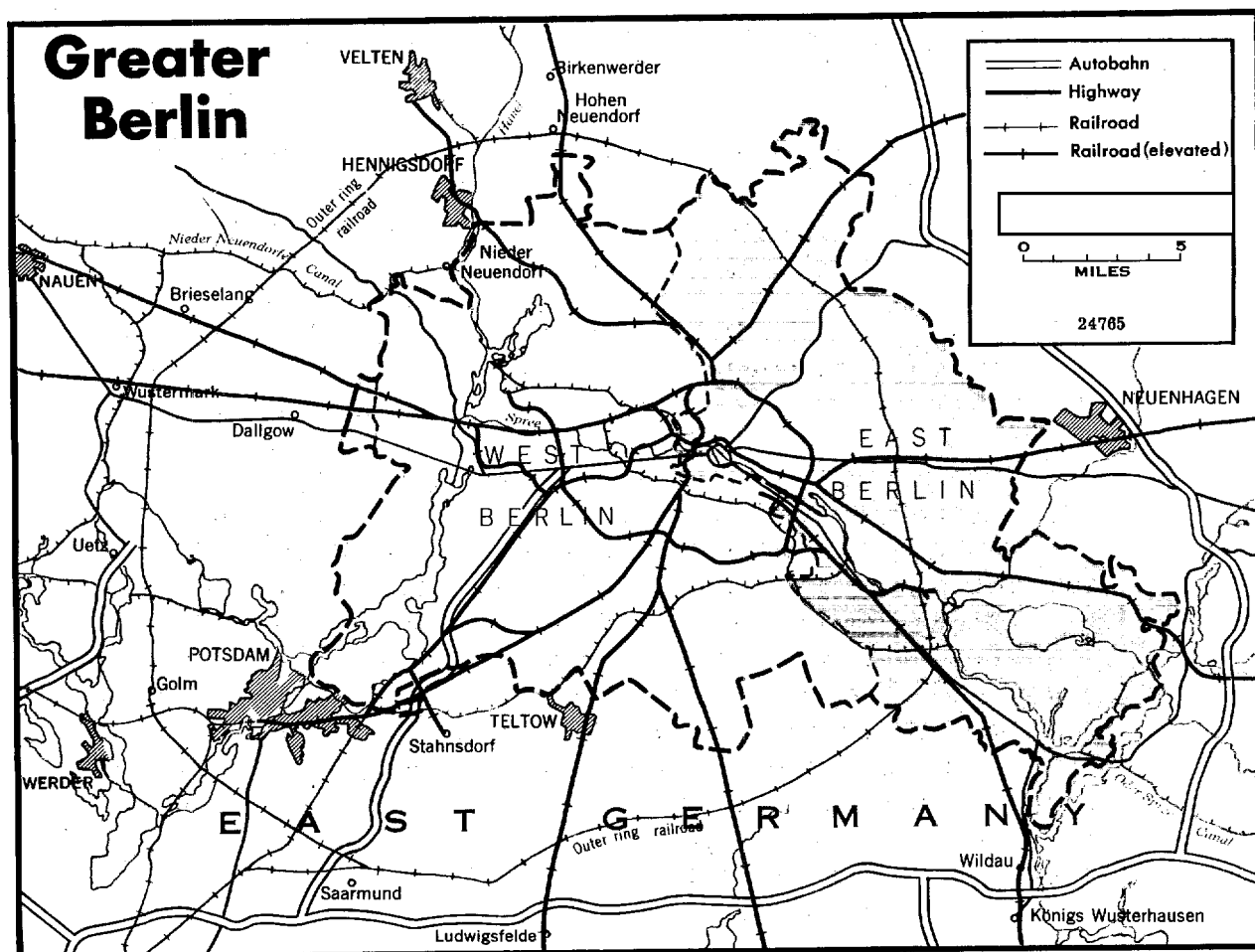
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East Germans May Tighten Control of Elevated Service
To West Berlin

OK The construction by the East Germans of special platforms and switching arrangements on the elevated rail lines near the East-West Berlin sector border and on the outer ring which circumvents West Berlin is nearly completed. When the work is finished, the Communists, who operate the entire city's elevated railway system, will have the capability of restricting passenger traffic into and out of West Berlin on these trains.

The regime reportedly is considering the imposition of a requirement that all persons crossing the West Berlin border in either direction bear a special pass. In addition to tightening internal security, the East German regime wants to prevent the continued employment in West Berlin of residents of East Berlin and East Germany and to check the flow of refugees. Faced with a critical labor shortage, East Germany has threatened to confiscate the housing of East Germans working in West Berlin, to expel their children from schools, and deprive them of "social benefits" unless they take jobs in East Berlin or the German Democratic Republic. Despite these pressures, however, approximately 35,000 residents of Communist-controlled areas still work in West Berlin.

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II. ASIA-AFRICA

Nasir Approves Record Syrian Budget

UAR President Nasir's approval of a record \$128,770,000 Syrian budget, after considerable wrangling between high-level Egyptian and Syrian officials, signals the institution of controls similar to those in Egypt over the previously free Syrian economy.

Nasir on 22 July criticized the Syrian economy, which suggests Cairo has been preparing public opinion for moves designed to increase Egyptian control over Syria. A number of recent moves already have placed a damper on Syrian trade with the free world while leaving trade with the bloc unaffected. Military spending will account for about 58 percent of the budget--an increase of 62 percent over last year.

Although the Syrian economic situation is difficult--prospects are for the worst grain crop in a decade--it is not critical. The currency remains strong on international markets, and official foreign exchange reserves are probably the same or even slightly higher than a year ago. The money supply has increased, but prices remain at their normal seasonal levels. The new budget, however, may lead to a new era of deficit spending and instability.

To secure additional revenue, Syria may press the Iraq Petroleum Company (IPC) and the Aramco-owned Tapline for sharply increased payments for pipelines passing through Syria. Damascus and Cairo are pressing IPC to construct a new major pipeline through Syria. This year Syria will receive an estimated \$18,300,000 from IPC and about \$1,300,000 from Tapline.

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Macmillan Mission Fails to Resolve Cyprus Issue

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The recent trip of British Prime Minister Macmillan to Athens, Ankara, and Nicosia apparently resulted in no appreciable advance toward even an interim settlement of the dispute. Although the trip was designed to develop a favorable atmosphere for negotiations, Macmillan advanced no new proposals.

In Athens, he explained in detail the British seven-year plan for Cyprus, originally announced in Parliament on 19 June. While Greek opposition to the plan appeared to waver on some points, Premier Karamanlis refused to accept provisions calling for official Turkish and Greek government representatives on the Governor's Council. Conversations between Cyprus Governor Foot and Archbishop Makarios resulted only in an evasive statement by Makarios agreeing that the preservation of peace on Cyprus was important. Subsequent to the visit of Macmillan, Athens announced plans to resubmit the issue to the next session of the UN General Assembly.

In Ankara, where the British plan was originally rejected, there has been a reappraisal in recent weeks and conciliatory statements indicating that the "partnership" aspects of the new proposals can be reconciled with the Turkish demand for eventual partition of Cyprus. The Turks still desire to have the final solution for Cyprus, i. e., partition, spelled out at this time but may accept the British plan as an interim measure. Ankara would probably insist on having Greek and Turkish representatives on the Governor's Council, however, as the Turks regard this as one of the most attractive features of the British plan.

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British Ideas on the Middle East

British Foreign Secretary Lloyd and his top advisers indicated during extensive talks on 10 August with Deputy Under Secretary Murphy that British Middle East policy is tending toward a working arrangement with Arab nationalism.

no Lloyd emphasized his desire to remove British troops from Jordan and his eagerness to obtain at least a temporary "solution" for Jordan from the special UN General Assembly session. He said the best hope for Jordan might be to prop up the Husayn regime temporarily--such as by making Jordan a "ward of the UN" with a UNEF on its borders and a radiomonitoring group inside. He indicated hope that by implying determination to keep their troops in Jordan and Lebanon "for ten years if need be," Britain and the US could induce Nasir and the USSR to start working for "something realistic."

Lloyd suggested that neutrality guaranteed by an international convention along the lines of Austria might be a good idea for Lebanon. While reiterating that the West should stand firm on holding the Persian Gulf sheikdoms for the present, Lloyd said that a Lebanese neutrality treaty might provide a good precedent for that area.

Lloyd expressed doubt that Nasir would either make or keep any agreement.

reflecting the strong current of British public opinion toward eventual compromise with Arab nationalism. Lloyd said it would suit Britain very well to work out some modus vivendi with Nasir. Lloyd believes the new Iraqi Government must also be given a "clean run," though chances of developing a working relationship are poor.

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